

Contact Information

SEC Approves NASD Rule 1160 Regarding Firm Contact Information

Effective Date: December 31, 2007

Executive Summary

Effective December 31, 2007, new NASD Rule 1160 (Contact Information Requirements) streamlines the review and verification of contact information and eliminates the requirement that member firms review and update certain designated contact information on a quarterly basis. The new rule requires firms to update designated contact information promptly upon any material change, verify such information annually and comply promptly with any request for such information.¹

NASD Rule 1160, approved by the SEC on August 1, 2007, and the related rule amendments are set forth in Attachment A of this *Notice*.

Questions concerning this *Notice* should be directed to Patricia Albrecht, Assistant General Counsel, Office of General Counsel, at (202) 728-8026. Questions concerning the FINRA Contact System should be directed to Susanne Henke, Office of Member Relations, at (240) 386-6231.

September 2007

Notice Type

- Rule Amendment

Suggested Routing

- Compliance
- Executive Representatives
- Legal
- Operations
- Senior Management

Key Topic(s)

- AML Compliance Officer
- Contact Information
- Emergency Contact Information
- Executive Representative
- FINRA Contact System
- Regulatory Element Contact Person

Referenced Rules & Notices

- NASD Rule 1120
- NASD Rule 1150
- NASD Rule 1160
- NASD IM-3011-2
- NASD Rule 3520

Background and Discussion

Currently, there are several rules that require firms to identify and report to FINRA certain designated contact persons:

- NASD Rule 1120 (Continuing Education Requirements)
- NASD Rule 1150 (Executive Representative)
- NASD IM-3011-2 (Review of Anti-Money Laundering Compliance Person Information) and
- NASD Rule 3520 (Emergency Contact Information).

These rules also require firms to review the contact information at the end of each calendar quarter, and if necessary, update such information within 17 business days after the end of each quarter.² Member firms review this information and provide any updates online via the FINRA Contact System (FCS).

Based on recommendations made by its Small Firm Rules Impact Task Force,³ FINRA has decided to eliminate these quarterly review requirements and replace them with NASD Rule 1160, which provides for a more comprehensive approach for verifying and updating all contact information required to be reported. Specifically, NASD Rule 1160 requires firms to provide the required contact information via FCS or such other means as FINRA may specify.⁴

NASD Rule 1160 also requires firms to update the contact information promptly, but in any event not later than 30 days following any change in such information, as well as to review and, if necessary, update the information within 17 business days after the end of each calendar year.⁵ In addition, the rule requires firms to comply with any FINRA request for such information promptly, but in any event not later than 15 days following the request, or such longer period that may be agreed to by FINRA staff.⁶ NASD Rule 1160, however, does not relieve firms from any separate requirements to update such information.⁷

NASD Rule 1160 has several advantages over current FINRA requirements applicable to firm contact information. Since the persons who occupy the designated positions at some firms seldom change, NASD Rule 1160 eliminates any unnecessary burden that firms may incur in conducting quarterly reviews of the contact information. At the same time, NASD Rule 1160 helps to ensure that the contact information required by FINRA is kept current and provided to FINRA promptly upon request. This will assure FINRA's ability to contact its member firms in the event of an emergency, as well as support firms' compliance with certain FINRA rules.

To assist firms in complying with NASD Rule 1160, FINRA intends to continue the practice by reminding firms at the time they file their fourth quarter FOCUS report of the need to verify annually the required contact information on FCS.

Finally, the approved rule change also amends NASD Rule 3520 to eliminate the requirement that only a firm's Executive Representative, or his or her written designee, be permitted to review and update the firm's emergency contact information.⁸ FINRA believes that eliminating this restriction will assist firms in complying with their obligation to keep current their emergency contact information by giving firms the flexibility to have others perform this duty as necessary or appropriate.

NASD Rule 1160 and the related rule amendments become effective on December 31, 2007. In this regard, firms are reminded that, for the third quarter of 2007, the quarterly verification requirements set forth in NASD Rule 1120 (Continuing Education Requirements), NASD Rule 1150 (Executive Representative), NASD IM-3011-2 (Review of Anti-Money Laundering Compliance Person Information), and NASD Rule 3520 (Emergency Contact Information) remain in effect.

Endnotes

- 1 See Securities Exchange Act Release No. 56179 (August 1, 2007), 72 FR 44203 (August 7, 2007) (Order Approving Proposed Rule Change Creating Rule 1160 Regarding the Reporting and Annual Review of Designated Contact Information; File No. SR-NASD-2007-034).
- 2 Firms currently are required to promptly update such information in the event of a change, in addition to being required to review, and if necessary, update the designated contact information on a quarterly basis. See Rule 1120(a)(7) (Regulatory Element Contact Person); Rule 3011(d) (Anti-Money Laundering Compliance Program), and Rule 3520(b) (Emergency Contact Information). See also Article IV, Section 3 of the FINRA By-Laws, addressing procedures for members to change their Executive Representatives.
- 3 In September 2006, FINRA (then NASD) established the Small Firm Rules Impact Task Force to examine how existing NASD rules impact smaller firms. In particular, the Task Force focuses on possible opportunities to amend or modernize certain conduct rules that may be particularly burdensome for small firms, where such changes are consistent with investor protection and market integrity.
- 4 See NASD Rule 1160(a).
- 5 See NASD Rule 1160(b).
- 6 See NASD Rule 1160(c).
- 7 For example, a firm must identify, among others, its Chief Executive Officer and Chief Compliance Officer on Form BD, and promptly update such information by submitting an amendment whenever the information becomes inaccurate or incomplete for any reason. See also Article IV, Section 1(c) of the FINRA By-Laws, requiring each member to ensure that its membership application is kept current at all times by supplementary amendments, and to file any such amendment no later than 30 days after learning of the facts or circumstances giving rise to the amendment.
- 8 See Rule 3520(b).

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Attachment A

Below is the text of the approved rule change. New language is underlined; deletions are in brackets.

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1120. Continuing Education Requirements

This Rule prescribes requirements regarding the continuing education of certain registered persons subsequent to their initial qualification and registration with NASD. The requirements shall consist of a Regulatory Element and a Firm Element as set forth below.

(a) Regulatory Element

(1) through (6) No Change.

(7) Regulatory Element Contact Person

Each member shall designate and identify to NASD (by name and e-mail address) an individual or individuals responsible for receiving e-mail notifications provided via the Central Registration Depository regarding when a registered person is approaching the end of his or her Regulatory Element time frame and when a registered person is deemed inactive due to failure to complete the requirements of the Regulatory Element program[, and provide prompt notification to NASD regarding any change in such designation(s). Each member must review and, if necessary, update the information regarding its Regulatory Element contact person(s) within 17 business days after the end of each calendar quarter to ensure the information's accuracy]. Each member shall identify, review, and, if necessary, update the information regarding its Regulatory Element contact person(s) in the manner prescribed by Rule 1160.

(b) No Change.

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1150. Executive Representative

Each member must identify, review, and, if necessary, update its executive representative designation and contact information as required by Article IV, Section 3 of the NASD By-Laws in the manner prescribed by Rule 1160 [within 17 business days after the end of each calendar quarter].

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1160. Contact Information Requirements

(a) Each member shall report to NASD all contact information required by NASD via the NASD Contact System or such other means as NASD may specify.

(b) Each member shall update its required contact information promptly, but in any event not later than 30 days following any change in such information. In addition, each member shall review and, if necessary, update its required contact information, via the NASD Contact System or such other means as NASD may specify, within 17 business days after the end of each calendar year.

(c) Each member shall comply with any NASD request for such information promptly, but in any event not later than 15 days following the request, or such longer period that may be agreed to by NASD staff.

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IM-3011-2. Review of Anti-Money Laundering Compliance Person Information

Each member must identify, review, and, if necessary, update the information regarding its anti-money laundering compliance person designated pursuant to Rule 3011(d) in the manner prescribed by Rule 1160 [within 17 business days after the end of each calendar quarter to ensure the information's accuracy].

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3520. Emergency Contact Information

(a) Each member shall report to NASD, via such electronic or other means as NASD may [require] specify, prescribed emergency contact information for the member. The emergency contact information for the member includes designation of two emergency contact persons. Each emergency contact person shall be a member of senior management and a registered principal of the member.

(b) Each member must promptly update its emergency contact information, via such electronic or other means as NASD may [require] specify, in the event of any material change. With respect to the designated emergency contact persons, [E]each member must identify, review, and, if necessary, update [its emergency contact information, including] such designations in the manner prescribed by Rule 1160. [of two emergency contact persons, within 17 business days after the end of each calendar quarter to ensure the information's accuracy. The member's Executive Representative, or his or her designee, which designation must be in writing, must conduct such review and any update. Furthermore, members must have adequate controls and procedures to ensure that only the Executive Representative, or his or her written designee, may perform the review and update.]

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